DOCUMENT RESUME

ED 149 704 HE 009 623

AUTHOR Minter, W. John; Padil, Virginia
TITLE The Projected Impact of the New Social Security Taxes upon Employer Contributions at Independent Colleges and Universities - 1979 to 1987.
INSTITUTION National Association of Independent Colleges and Universities, Washington, D.C.
PUB DATE 78
NOTE 21p.
AVAILABLE FROM Office of Research, NAICU, 1717 Massachusetts Avenue, N.W., 503, Washington, D.C. 20036

EDRS PRICE MF-$0.83 HC-$1.67 Plus Postage.
DESCRIPTORS Cost Effectiveness; *Costs; *Employers; Expenditures; Federal Legislation; Higher Education; *Models; Operating Expenses; *Private Colleges; *Salaries; Surveys; *Taxes; Trend Analysis
IDENTIFIERS *Social Security

ABSTRACT

A total of 114 independent colleges and universities were surveyed to estimate the impact of changes in social security taxes over a nine-year period from 1979 through 1987. The model used in the November 1977 NAICU study is retained in this study, which has been expanded to include more detailed tables by institutional type. The tables can provide institutions with more information for projecting increased costs in social security taxes over a ten-year period. Charts are also included that plot the trends in social security costs and in social security costs as a percentage of total expenditures. This survey encompassed only administrative, faculty, and staff salaries, and excluded nonprofessional salaries and wages. Data concerning the average increases of employer costs is based on information supplied by 77 of the 114 independent colleges and universities included in the Bowen-Minter sample. (Author/LBH)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLICY

ED149704

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

Natl. Assn. of Independent Coll & Univs

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC) AND USERS OF THE ERIC SYSTEM."

THE PROJECTED IMPACT OF THE NEW SOCIAL SECURITY TAXES UPON EMPLOYER CONTRIBUTIONS AT INDEPENDENT COLLEGES AND UNIVERSITIES - 1979 to 1987

January 1978

by

W. John Minter
Minter Associates

Virginia Fadil
Director, Office of Research
NAICU

An Occasional Research Paper

from the

National Association of Independent
Colleges and Universities
1717 Massachusetts Avenue, N.W., #503
Washington, D.C. 20036

HE009 623

© 1978, by

National Association of Independent Colleges and Universities

Additional copies may be obtained from the

Office of Research
NAICU
1717 Massachusetts Avenue, N.W., #503
Washington, D.C. 20036

THE PROJECTED IMPACT OF THE NEW SOCIAL SECURITY TAXES UPON EMPLOYER COSTS AT INDEPENDENT COLLEGES AND UNIVERSITIES - 1979 to 1987

Just before it closed its first session, both Houses of the 95th Congress passed amendments to the Social Security Act which were designed to prevent the exhaustion of the trust funds. The final amendments preserved parity (proposed by the House) although the tax rates were raised to more nearly reflect the Senate proposal. The National Association of Independent Colleges and Universities has been concerned about the potential impact of changes in social security taxes upon independent colleges and universities.[1] In order to aid independent colleges and universities to prepare for a change in social security taxes, the NAICU Office of Research contracted with the Bowen-Minter Study to conduct a survey of 114 independent colleges and universities to estimate the impact of the Conference Agreement over a nine-year period from 1979 through 1987.

In this present study we have retained the model utilized in our last study (November 1977) to cover a ten-year period through 1987.[1] Our first study (September 1977) of various social security proposals estimated employer costs over a five-year period; hence the cumulative totals in our last study and the present one are much larger. The present study has been expanded to include more detailed tables by institutional type to provide institutions with more information for projecting increased costs in social security taxes over a ten-year period. Charts are also included which plot the trends in social security costs and in social security costs as a percentage of total expenditures.

This survey encompassed only administrative, faculty and staff salaries, and excluded non-professional salaries and wages. Data concerning the average increases of employer costs is based upon information supplied by 77 of the 114 independent colleges and universities

---

[1] See two former research reports by W. John Minter and Virginia Fadil: "The Projected Impact of Various Social Security Proposals Upon Employer Contributions at Independent Colleges and Universities - 1978 to 1982" (Washington, D.C.: National Association of Independent Colleges and Universities, September 1977), and "The Projected Impact of the House and Senate Social Security Proposals Upon Employer Contributions at Independent Colleges and Universities - 1978 to 1987" (Washington, D.C.: National Association of Independent Colleges and Universities, November 1977).

included in the Bowen-Minter sample. The sample is truly representative of the 901 independent universities and colleges included in the Carnegie classification categories 1, 2, and 3, but excludes two-year colleges and specialized institutions.

SOCIAL SECURITY: PREVIOUS LAW AND THE CONFERENCE AGREEMENT

The following table details the wage base ceiling and the tax rates under Previous Law and the Conference Agreement.

TABLE 1

PREVIOUS LAW AND CONFERENCE AGREEMENT
TAX RATES AND WAGE BASE CEILING FOR 1977-1987

Previous Law			Conference Agreement		
Year	Wage Base Ceiling	Rate	Year	Wage Base Ceiling	Rate
1977	$16,500	5.85%	1977	$16,500	5.85%
1978	17,700	6.05	1978	17,700	6.05
1979	18,900	6.05	1979	22,900	6.13
1980	20,400	6.05	1980	25,900	6.13
1981	21,900	6.30	1981	29,700	6.65
1982	23,400	6.30	1982	31,800	6.70
1983	24,900	6.30	1983	33,900	6.70
1984	26,400	6.30	1984	36,000	6.70
1985	27,900	6.30	1985	38,100	7.05
1986	29,400	6.45	1986	40,200	7.15
1987	31,200	6.45	1987	42,600	7.15

Previous Law

The employer and employee contributions to Social Security are identical. The tax rate moves from 6.05 percent in 1978 to 6.45 percent in 1987, and the wage base ceiling increases from $17,700 in 1978 to $31,200 in 1987.

Conference Agreement

Parity is maintained in the Conference Agreement as in Previous Law. The tax rate moves from 6.13 percent in 1979 to 7.15 percent in 1987, and the wage base ceiling increases from $22,900 in 1979 to $42,600 in 1987.

METHODS SUMMARY

The present study utilized the national sample of the Bowen-Minter Study. This stratified random sample includes 100 institutions carefully drawn to represent all of the accredited, independent, non-profit institutions (as defined by the Carnegie Commission)[2], excluding research universities, two-year colleges and specialized professional schools. However, the sample was expanded to 114 institutions for this study to include 14 research universities. The four distinct types of institutions represented in this universe -- research and doctoral granting universities, comprehensive colleges and universities, liberal arts I colleges, and liberal arts II colleges -- represent 901 institutions serving 1,835,000 students, which was 60 percent of the institutions and 85 percent of the enrollment of the independent sector as of 1969-70. (See the Appendix for the institutions in the Bowen-Minter Study.) The sample was drawn to insure representation of the four types of institutions, of broad geographical regions of the country, and of institutions of various sizes as based on enrollment. The 114 institutions which are included in this sample represent 11.5 percent of the universe of 901 independent institutions.

Institutions were asked to submit copies of the Office of Education Form 2300-3 "Employees and Institutions of Higher Education" for 1975-76 in which institutions report administrative and faculty salaries. The total response rate was 103 or 90.3 percent, with 77 or 75 percent usable responses to match finance data. Several research universities submitted only faculty salaries since their policy is not to release information on administrative salaries. Thirty-one out of 67 universities and comprehensive colleges (50 percent) submitted usable responses while 46 out of 55 liberal arts colleges (84 percent) submitted usable responses.

---

2 A Classification of Institutions of Higher Education (Berkeley: Carnegie Commission on Higher Education, 1973).

The social security taxes for 1975-76 for administrative and staff salaries reported on this form became the base year. Then the Conference Agreement was compared to Previous Law over a nine-year period. Built into the calculations was a 5.5 percent salary increase each year which is an average of the salary increases over the two years, 1974-1975 and 1975-1976, in the Bowen-Minter Study.[3]

In addition, total expenditures were increased by 9.45 percent a year for universities, by 8.93 percent a year at liberal arts colleges, and by 9.14 percent a year for the total sample. These percentage increases are an average of the increase in total expenditures over two years, 1974-1975 and 1975-1976, in the Bowen-Minter Study.[4]

The detailed tables and charts which follow are divided into three sections: 1) the average and aggregate costs for the total sample, 77 colleges and universities representative of the total universe of 901 institutions; 2) the average and aggregate costs for research universities and comprehensive colleges and universities, 31 colleges and universities representative of the total universe of 201 institutions; and 3) the average and aggregate costs of liberal arts colleges, 46 colleges representative of the total universe of 691 colleges.

---

3 Howard R. Bowen and W. John Minter, Private Higher Education. Second Annual Report on Financial and Educational Trends in the Private Sector of American Education (Washington, D.C.: Association of American Colleges, 1976). See also W. John Minter and Howard R. Bowen, Private Higher Education. Third Annual Report on Financial and Educational Trends in the Private Sector of American Education (Washington, D.C.: Association of American Colleges, 1977).

4 Ibid.

TABLE 2

PROJECTED CHANGES OF AVERAGE EMPLOYER COSTS
FOR INDEPENDENT COLLEGES AND UNIVERSITIES: 1979-1987

INDEPENDENT COLLEGES AND UNIVERSITIES (N = 77)

Year	Previous Law	Conference Agreement	Increase over Previous Law
1977	$ 156,001	$ 156,001	$ 0
1978	171,967	171,967	0
1979	182,745	203,199	+20,454
1980	195,360	219,744	+24,384
1981	216,732	257,669	+40,937
1982	230,189	274,897	+44,708
1983	243,953	290,758	+46,805
1984	258,045	307,218	+49,173
1985	272,486	341,297	+68,811
1986	294,134	365,185	+71,051
1987	311,237	385,669	+74,432
Cumulative Total 1979-87	$2,204,881	$2,645,636	+$440,755

TABLE 3

PROJECTED CHANGES OF AVERAGE EMPLOYER COSTS
FOR INDEPENDENT COLLEGES AND UNIVERSITIES: 1979-1987

INDEPENDENT COLLEGES AND UNIVERSITIES (N = 77)

Index Numbers: 1977 = 100

Year	Previous Law	Conference Agreement	Increase over Previous Law
1977	100	100	0
1978	110	110	0
1979	117	130	+13
1980	125	140	+15
1981	138	165	+27
1982	147	176	+29
1983	156	186	+30
1984	165	196	+31
1985	174	218	+44
1986	188	234	+46
1987	199	247	+48

TABLE 4

PROJECTED INCREASES OF AGGREGATE EMPLOYER SOCIAL SECURITY COSTS
FOR INDEPENDENT COLLEGES AND UNIVERSITIES:

INDEPENDENT COLLEGES AND UNIVERSITIES (N = 901)

1979-1987 (Dollars in Thousands)

Year	Previous Law	Conference Agreement	Increase over Previous Law*
1977	$ 140,557	$ 140,557	$ 0
1978	154,943	154,943	0
1979	164,654	183,083	+18,429
1980	176,019	197,989	+21,970
1981	195,275	232,160	+36,885
1982	207,400	247,682	+40,282
1983	219,801	261,973	+42,172
1984	232,499	276,803	+44,304
1985	245,510	307,508	+61,998
1986	265,015	329,032	+64,017
1987	280,425	347,488	+67,063
Cumulative Total 1979-87	$1,986,597	$2,383,717	+$397,120

*Totals may not be exact due to rounding.

CHART 1

TRENDS IN COLLEGE AND UNIVERSITY
SOCIAL SECURITY COSTS 1977-1987
Independent Colleges and Universities (N=77)

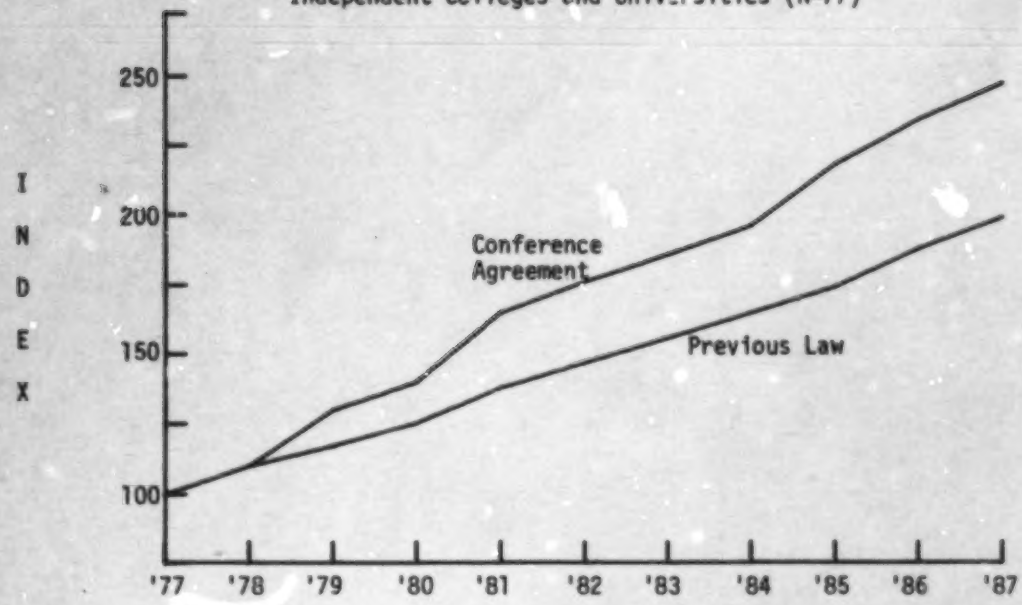
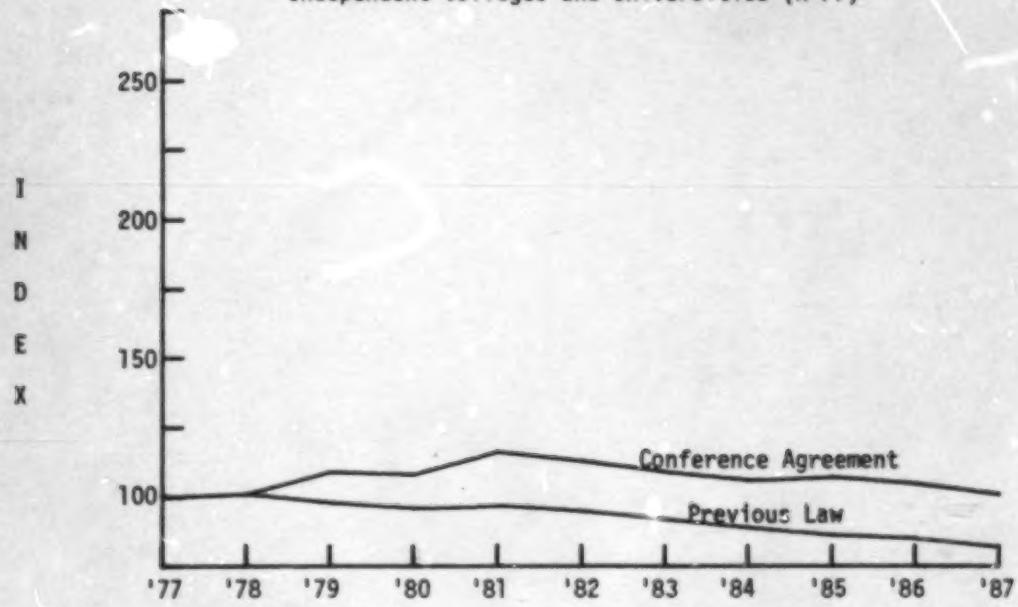


CHART 2

TRENDS IN SOCIAL SECURITY COSTS AS A PERCENT
OF TOTAL EXPENDITURES* 1977-1987
Independent Colleges and Universities (N=77)



*Adjusted for Current Rates of Increase

TABLE 5

PROJECTED CHANGES OF AVERAGE EMPLOYER COSTS
FOR INDEPENDENT COLLEGES AND UNIVERSITIES: 1979-1987

COMPREHENSIVE COLLEGES AND UNIVERSITIES (N = 31)

Year	Previous Law	Conference Agreement	Increase over Previous Law
1977	$ 264,279	$ 264,279	$ 0
1978	291,591	291,591	0
1979	310,073	348,118	+38,045
1980	331,886	377,531	+45,645
1981	368,538	444,078	+75,540
1982	391,680	474,010	+82,330
1983	415,288	501,536	+86,248
1984	439,393	530,045	+90,652
1985	464,024	588,904	+124,880
1986	500,059	630,125	+129,266
1987	530,144	665,571	+135,427
Cumulative Total 1979-87	$3,751,885	$4,559,918	+$808,033

TABLE 6

PROJECTED CHANGES OF AVERAGE EMPLOYER COSTS
FOR INDEPENDENT COLLEGES AND UNIVERSITIES: 1979-1987

COMPREHENSIVE COLLEGES AND UNIVERSITIES (N = 31)

Index Numbers: 1977 = 100

Year	Previous Law	Conference Agreement	Increase over Previous Law
1977	100	100	0
1978	110	110	0
1979	117	131	+14
1980	125	142	+17
1981	139	168	+29
1982	148	179	+31
1983	157	189	+32
1984	166	200	+34
1985	175	222	+47
1986	189	238	+49
1987	200	251	+51

TABLE 7

PROJECTED INCREASES OF AGGREGATE EMPLOYER COSTS
FOR INDEPENDENT COLLEGES AND UNIVERSITIES: 1979-1987
(Dollars in Thousands)

COMPREHENSIVE COLLEGES AND UNIVERSITIES (N = 210)

Year	Previous Law	Conference Agreement	Increase over Previous Law*
1977	$ 55,499	$ 55,499	$ 0
1978	61,234	61,234	0
1979	65,115	73,105	+7,990
1980	69,696	79,281	+9,585
1981	77,393	93,256	+15,863
1982	82,253	99,542	+17,289
1983	87,210	105,323	+18,113
1984	92,272	111,309	+19,037
1985	97,445	123,670	+26,225
1986	105,180	132,326	+27,146
1987	111,330	139,770	+28,440
Cumulative Total 1979-87	$787,896	$957,583	+$169,687

*Totals may not be exact due to rounding.

CHART 3

TRENDS IN COLLEGE AND UNIVERSITY
SOCIAL SECURITY COSTS 1977-1987
Comprehensive College and Universities (N=31)

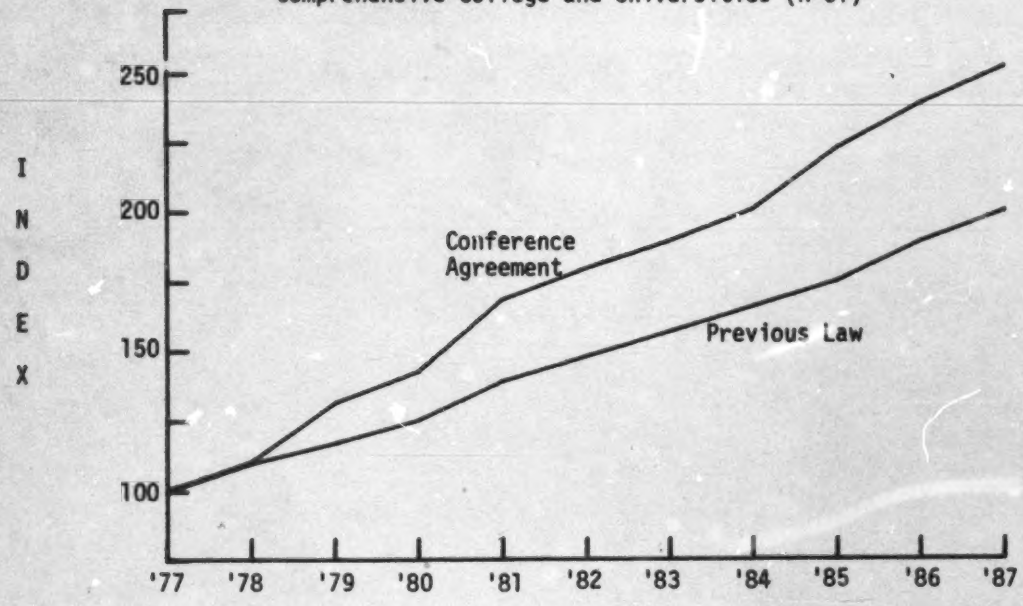
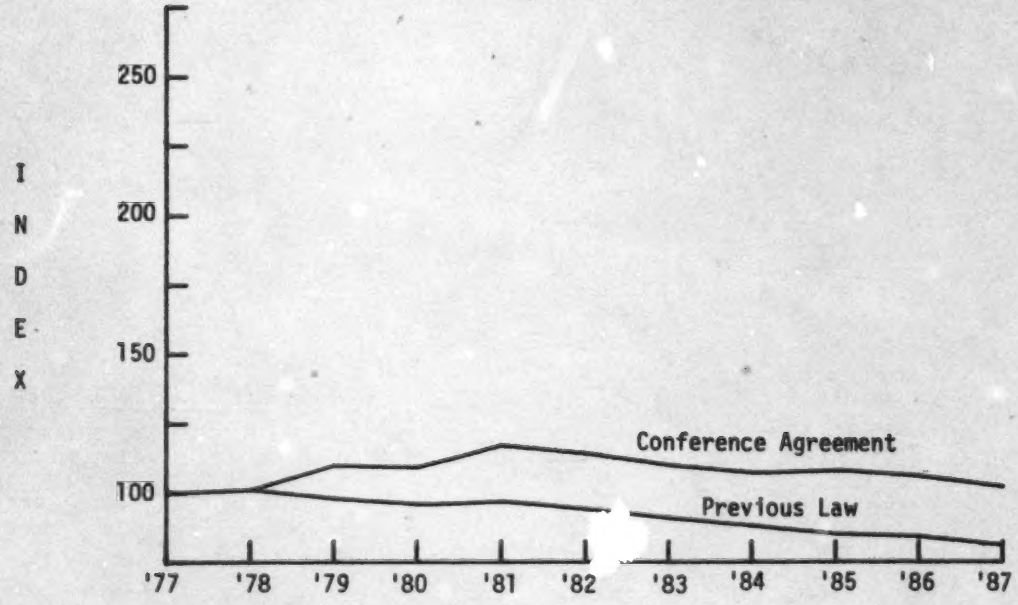


CHART 4

TRENDS IN SOCIAL SECURITY COSTS AS A PERCENT
OF TOTAL EXPENDITURES* 1977-1987
Comprehensive Colleges and Universities (N=31)



*Adjusted for Current Rates of Increase

TABLE 8

PROJECTED CHANGES OF AVERAGE EMPLOYER COSTS
FOR INDEPENDENT COLLEGES AND UNIVERSITIES: 1979-1987

LIBERAL ARTS COLLEGES (N = 46)

Year	Previous Law	Conference Agreement	Increase over Previous Law
1977	$ 83,030	$ 83,030	$ 0
1978	91,351	91,351	0
1979	96,937	105,535	+8,598
1980	103,352	113,408	+10,056
1981	114,426	132,045	+17,619
1982	121,356	140,711	+19,355
1983	128,486	148,710	+20,224
1984	135,831	157,050	+21,219
1985	143,404	174,429	+31,025
1986	154,818	186,636	+31,818
1987	163,712	197,037	+33,325
Cumulative Total 1979-87	$1,162,322	$1,355,561	+$193,239

TABLE 9

PROJECTED CHANGES OF AVERAGE EMPLOYER COSTS
FOR INDEPENDENT COLLEGES AND UNIVERSITIES: 1979-1987

LIBERAL ARTS COLLEGES (N = 46)

Index Numbers: 1977 = 100

Year	Previous Law	Conference Agreement	Increase Over Previous Law
1977	100	100	0
1978	110	110	0
1979	116	127	+11
1980	124	136	+12
1981	137	159	+22
1982	146	169	+23
1983	154	179	+25
1984	163	189	+26
1985	172	210	+38
1986	186	224	+38
1987	197	237	+40

TABLE 10

PROJECTED INCREASES OF AGGREGATE EMPLOYER COSTS
FOR INDEPENDENT COLLEGES AND UNIVERSITIES:

1979-1987 (Dollars in Thousands)

LIBERAL ARTS COLLEGES (N = 691)

Year	Previous Law	Conference Agreement	Increase over Previous Law*
1977	$57,374	$ 57,374	$ 0
1978	63,123	63,123	0
1979	66,983	72,925	+5,942
1980	71,416	78,365	+6,949
1981	79,068	91,243	+12,175
1982	83,857	97,231	+13,374
1983	88,784	102,758	+13,974
1984	93,859	108,522	+14,663
1985	99,092	120,531	+21,439
1986	106,979	128,966	+21,987
1987	113,125	136,153	+23,028
Cumulative Total 1979-87	$803,165	$936,693	+$133,528

*Totals may not be exact due to rounding

CHART 5

TRENDS IN COLLEGE AND UNIVERSITY
SOCIAL SECURITY COSTS 1977-1987
Liberal Arts Colleges (N=46)

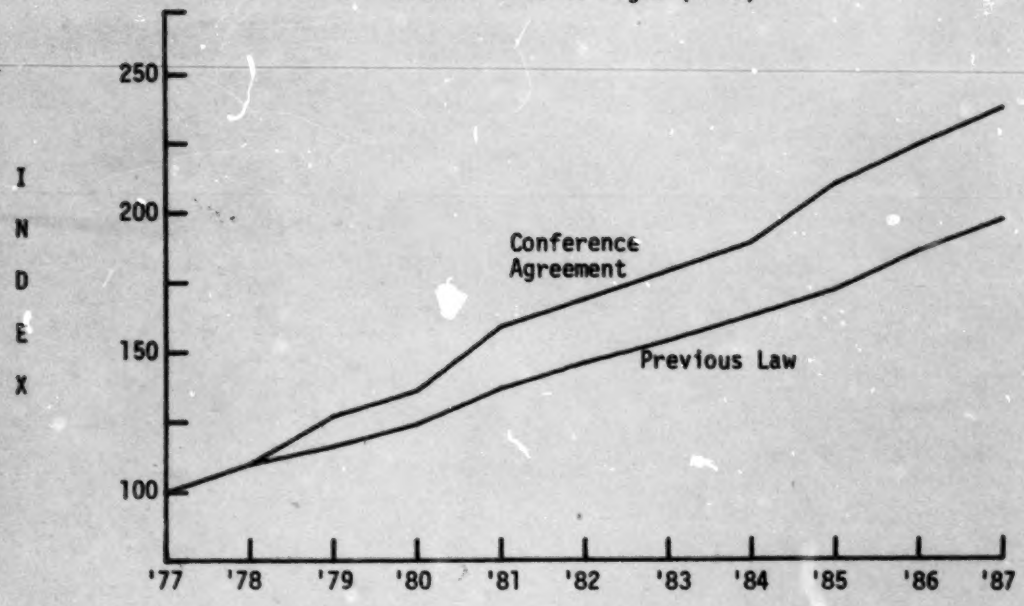
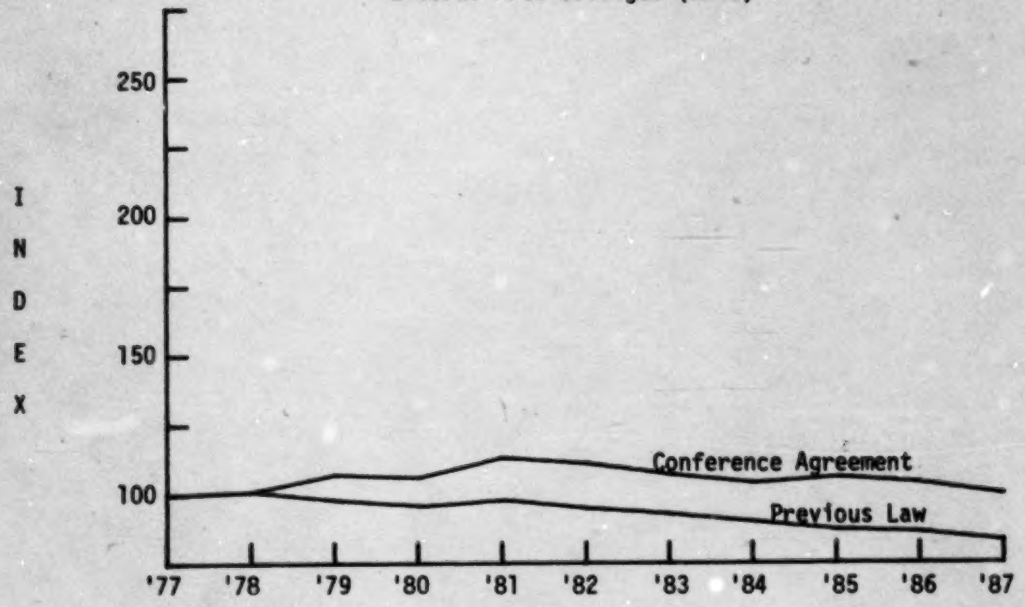


CHART 6

TRENDS IN SOCIAL SECURITY COSTS AS A PERCENT
OF TOTAL EXPENDITURES* 1977-1987
Liberal Arts Colleges (N=46)



*Adjusted for Current Rates of Increase

APPENDIX

Institutions in the Bowen-Minter Study*

Doctoral-Granting Universities

Adelphi University
Dartmouth College
University of Denver
Drexel University
Georgetown University
Marquette University
University of Notre Dame
University of the Pacific
Southern Methodist University
University of Tulsa

Comprehensive Universities and Colleges

Abilene Christian University
University of Albuquerque
Baldwin-Wallace College
Capital University
University of Dayton
Drake University
Elmira College
Fairleigh-Dickinson University
Geneva College
Gonzaga University
University of Hartford
Iona College
Lafayette College
Merrimack College
Oklahoma Baptist University
Ouachita Baptist University
Pacific Lutheran University
University of Puget Sound
Roger Williams College
Russell Sage College
St. Lawrence University
St. Norbert College
University of Santa Clara
Seton Hall University
Simmons College
Suffolk University
Texas Wesleyan College
Trinity University
Tri-State College
Union College
Valparaiso University
Villanova University

Liberal Arts Colleges I

Allegheny College
Augustana College
Carleton College
Colorado College
Davidson College
Hamilton College
Kalamazoo College
Kenyon College
Macalester College
Mt. Holyoke College
College of New Rochelle
Oberlin College
Randolph-Macon Woman's College
Reed College
Ripon College
Rosemont College
St. Olaf College
Salem College
Washington and Lee University
Wells College
Westminster College
Wheaton College
Whitman College
Williams College

Liberal Arts Colleges II

Belmont Abbey College
Bennett College
Berry College
Bethel College
Bryan College
Campbell College
Clark College
Curry College
Dominican College of Blauvelt
Elmhurst College
Fisk University
George Fox College
Marian College of Fond du Lac
Meredith College
Miles College
Milligan College
Millsaps College
North Central College
Northwestern College
Paine College
Presbyterian College
Paul Quinn College
Regis College
Rivier College
Rust College
St. Paul's College
Shaw University
Stephens College
Talladega College
Tarkio College
Unity College
Upsala College
Westmont College
Wilmington College

*The 14 research universities were selected to expand the Bowen-Minter sample for this particular study. Until institutions have formally agreed to participate in the Bowen-Minter sample, the researchers have agreed to maintain their anonymity.